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TAYLOR NGL LIMITED PARTNERSHIP

delivering results

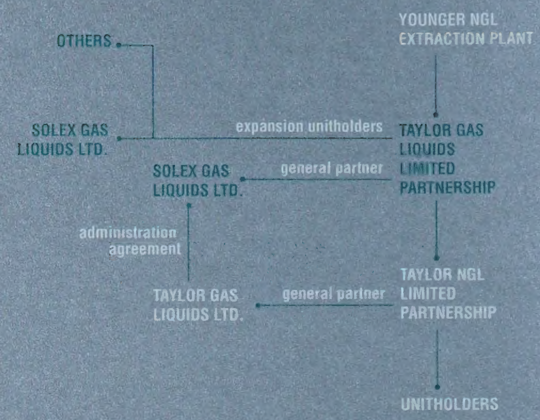
2000 ANNUAL REPORT

The Taylor NGL Limited Partnership (the partnership) or (Taylor) trades on the Toronto Stock Exchange under the symbol TAY.UN.

The partnership provides investors with a unique opportunity to participate in the energy business through its interest in the Taylor Gas Liquids Limited Partnership, which holds a majority interest in the Younger NGL Extraction Plant (the plant). The plant, located in Taylor, British Columbia, extracts ethane, propane, butane and condensate (collectively known as natural gas liquids or NGLs) from natural gas. Since the inception of the partnership, the plant has undergone a number of improvements including two significant expansions. These initiatives have increased the NGL production capacity from 8,200 barrels per day (bbls/day) in 1996 to 38,500 bbls/day in 2000.

The partnership markets its share of plant production across western North America through a contractual arrangement with PanCanadian Petroleum Limited.

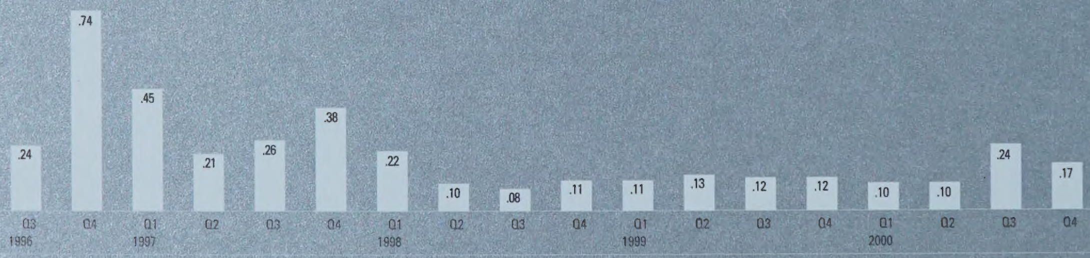
The partnership and the plant are administrated and operated by Solex Gas Liquids Ltd., a privately owned company. In January 2001, Solex changed its name to Taylor Management Company Inc.



TAYLOR NGL LIMITED PARTNERSHIP

growth beyond the boundaries

Distributions
$/unit



financial highlights

YEARS ENDED DECEMBER 31		2000		1999
(thousands of dollars except unit values and volumes)				
FINANCIAL				
Gross revenue	$	115,260	$	15,630
Distributable cash flow	$	5,929	$	3,762
Fully diluted per unit	$	0.61	$	0.48
Net income (loss)	$	4,124	$	(194)
Fully diluted per unit	$	0.44	$	(0.02)
Capital expenditures	$	2,097	$	9,617
Unit price				
High	$	5.70	$	5.80
Low	$	3.61	$	3.55
Close	$	4.45	$	4.04
Units traded		2,673,742		2,323,671
Value of units traded	$	11,745	$	10,018
Outstanding units at year-end		9,719,675		7,836,540
OPERATIONS*				
Gas volumes processed (mmscf/day)		343		323
Daily average production (bbls/day C2+)		13,905		12,373
Unit operating costs (per bbl C2+)	$	2.78	$	N/A

*1999 Operating results reflect one month of operations

achievements

2000 – A successful year because favourable margins coincided with Taylor's reentry into the NGL business. The plant was restarted in January and achieved record results including:

- lowest ever annual operating cost per barrel of production;
- record monthly production in August; and
- no lost-time accidents or reportable spills.

1999 – A "virtual year" caused by a fire, which resulted in a year-long plant outage. With business interruption insurance proceeds, Taylor maintained distributions to unitholders as the damaged portions of the plant were rebuilt.

1998 – A challenging year because commodity prices were down and the economics of our business were weak.

1997 – A competitive year, with the partnership expanding the plant, adding capacity and ethane recovery.

NGL margins were very strong through the second and third quarters of 2000. With the increase in natural gas prices to unprecedented levels in late 2000, margins declined to very low levels by the end of the fourth quarter.

Taylor's return to business after an 11-month plant outage coincided with a dramatic increase in the value of natural gas liquids. This marked the partnership's return to profitability.

letter to unitholders

The Taylor NGL Limited Partnership achieved excellent results in 2000 due to strong commodity prices and production volumes. The partnership generated $0.69/unit of cash flow, used $0.08/unit for working capital and distributed the remaining $0.61/unit to unitholders.

Returns Reaped with Start-up of the Younger Plant

Taylor began 2000 by completing the rebuild of the portion of the Younger NGL Extraction Plant damaged by the fire in January 1999. Plant commissioning commenced in December 1999, and by February 2000, the plant was fully operational and processing all the natural gas that the Taylor NGL Limited Partnership had under contract. With the start-up of the plant, Taylor was again producing significant volumes of natural gas liquids (NGLs) and reentered the ethane, propane, butane and condensate market after a year-long absence during the plant outage.

In 2000 Taylor set a total annual production record for the Younger Plant of over five million barrels. For the year, Taylor averaged 13,900 barrels per day (bbls/day) of natural gas liquids and in August, set a one-month production record, averaging over 17,500 bbls/day.

Taylor's return to business coincided with a dramatic increase in the value of NGLs due to extraordinarily high oil prices. This made the business very profitable and Taylor retired the $4.5 million deficit in the marketing pool in the third quarter. As a result, Taylor was able to include a contribution from the marketing pool in both the third and fourth quarter distributions to unitholders. The last time Taylor's distribution included a marketing component was the first quarter of 1998.

Creative Strategies Improve Margins

While NGL prices remained strong throughout the year, natural gas prices soared in the fourth quarter of 2000. Since Taylor buys natural gas as feedstock for the Younger Plant, this cost increase dramatically reduced margins from those enjoyed during the summer. Thanks to flexibility in both the business arrangements and Younger Plant operations, management responded to this situation by changing its marketing strategy. Management redirected NGLs to premium markets and sold a portion of Taylor's gas supply back into the natural gas market.

Although Taylor is entering 2001 with low NGL margins, management will continue to maximize revenue by capturing unique marketing and premium pricing opportunities. In the Outlook section, management discusses in more detail the many marketing options available due to the unique location of the Younger Plant.

Structure and Mandate Changes will Maximize Potential

In March 2000, KeySpan Energy Canada Ltd. elected to convert their Taylor Gas Liquids Limited Partnership interest into 1,883,135 Taylor Gas Liquids Fund units. KeySpan had acquired its interest in Taylor Gas Liquids Limited Partnership by financing capital projects since 1996. Pursuant to an annual election right, KeySpan converted this interest into Fund units. KeySpan's continuing commitment to Taylor supports our belief in the long-term growth of the partnership.

In August 2000, the Taylor Gas Liquids Fund was converted to a limited partnership, the Taylor NGL Limited Partnership. The new structure is more efficient, which will in turn increase unitholder value. For more information on this transaction please refer to the Notes to the Consolidated Financial Statements.

With unitholders' approval to expand the mandate of Taylor NGL Limited Partnership, management will pursue growth opportunities beyond the Younger Plant.

In December 2000, Taylor had a change of executive personnel. Kevin Jabusch, president and CEO of both Taylor Gas Liquids Ltd. and the management company, Solex Gas Liquids Ltd., and Dave Eggen, CFO of both companies, stepped down. The new executive has had significant involvement with both the Younger Plant and Taylor over the last several years, resulting in a smooth transition. Bob Pritchard moved to president and CEO, David Schmunk remained COO and Barry O'Brien became CFO. Mr. Pritchard also assumed Mr. Jabusch's directorship in Taylor Gas Liquids Ltd.

This new team is dedicated solely to the management of Taylor and will be working to grow unitholder value. Reflecting the strengthened relationship between the management company and Taylor, Solex Gas Liquids Ltd. has changed its name to Taylor Management Company Inc.

The first step in growing unitholder value will be to broaden the mandate of Taylor NGL Limited Partnership. Currently, Taylor's business is limited to the Younger Plant. Management will be seeking unitholder approval at the 2001 Annual Meeting to expand the business scope of Taylor so that they can pursue business opportunities beyond the plant.

Management is excited about the business that can be developed on behalf of Taylor and plans to pursue opportunities that have synergies with Taylor's Younger Plant business, while diversifying the sources of income beyond the plant. Management will target long-term investments that are low-risk and produce a cash flow profile consistent with the goal of stable, quarterly distributions to unitholders.

The Younger Plant Provides a Strong Foundation for Growth

Management has an excellent starting point for growth as Taylor already has a significant presence in the Canadian natural gas processing business.

The Younger Plant is:

- the largest producer of ethane, propane and butane in British Columbia;
- one of the largest industrial natural gas buyers in British Columbia; and
- one of the most modern and efficient NGL extraction plants in Canada.

Efficiencies and Cost Reductions Optimize Performance

Management will continue to focus on opportunities to increase production and reduce costs at the Younger Plant. For example, the process improvement projects completed when the plant was down for the rebuild in 1999 contributed to Taylor's strong production numbers in 2000.

Younger operating cost per unit of production continued to decrease in 2000. Despite the plant start-up in January, with about $1 million of one-time expenses, and fuel gas cost increases of over 300% through the course of the year, a record low operating cost per barrel of $2.78 was set, down from $3.38 per barrel in 1998.

The Younger Plant is a large consumer of electrical power, therefore future operating cost management strategies will focus on energy requirements. Thanks to existing pricing arrangements with BC Hydro, management did not see the enormous escalation in power costs that other consumers experienced during the year. To further stabilize operating costs, Taylor has entered into a 10-year arrangement with the Government of British Columbia, which links a portion of the plant's power costs to the margin in the NGL business. This unique rate structure is discussed in more detail in the 2000 Operations Review.

ROBERT B. CATELL
Chairman
Taylor Gas Liquids Ltd.

ROBERT J. PRITCHARD
President and
Chief Executive Officer
Taylor Gas Liquids Ltd.

Competition for Gas Intensifies

During 2000, Taylor's competitors for natural gas, the plant's feedstock, changed. Williams Energy Canada replaced TransCanada Midstream as the owner of 43% of the processing capacity of the Younger Plant. In December 2000, the Alliance Pipeline, that provides British Columbia natural gas producers with access to Chicago area markets, began commercial operations. Alliance has receipt points both upstream and downstream of the Younger Plant. There is a transportation cost savings to shippers if they move gas to Alliance upstream of the Younger Plant. Several Taylor customers exercised their right to de-contract, resulting in 10 to 15 mmscf/day of gas being diverted to Alliance upstream of Younger. Management is working to restore this gas volume and believes that unique financial packages will attract shippers to the Younger Plant.

Notwithstanding the competition for gas, Taylor has always been able to grow its business by providing customers with creative arrangements that differentiate it from competitors. Taylor offers shippers a variety of contract terms, which link payments to many different gas and NGL indices and provide volume flexibility. Management has the skills to respond to the changes in the market and to offer shippers business arrangements that meet their ever-changing needs. With ingenuity, management will keep the Younger Plant operating at optimal levels.

Management is Optimistic About the Future

With a new executive team and expanded business mandate, management will seek innovative ways to increase unitholder value. Change brings new ideas and renewed energy. Management looks forward to meeting unitholders' expectations in 2001 in each of its focus areas: growth, diversification of income, and at the Younger Plant, increased production and reduced operating costs.

The Board of Directors wishes to thank Kevin Jabusch and Dave Eggen for their contributions to Taylor. They have built a solid foundation from which Taylor can grow and, over the last five years, have navigated Taylor through extremely challenging times. We wish them success in their future endeavours.

Our staff in Calgary and at the plant made 2000 enormously successful. With the smooth start-up of the plant, and the execution of an aggressive production and marketing plan, Taylor has returned to its former status as a significant gas processor in British Columbia. We thank the staff for their contribution to Taylor's 2000 results.

Our Board has once again contributed their wisdom and guidance as we have continued to evolve Taylor. We thank them for their support in 2000 and their contribution to the management transition. We look forward to working with the Board in 2001, as we grow Taylor's business both at the Younger Plant and beyond the boundaries.

ROBERT B. CATELL
Chairman
Taylor Gas Liquids Ltd.

ROBERT J. PRITCHARD
President and
Chief Executive Officer
Taylor Gas Liquids Ltd.

Management believes that a business plan that results in a larger market capitalization and stabilized distributions will create value for Taylor NGL Limited Partnership unitholders.

outlook

Taylor's growth goals cannot be realized solely at the Younger Plant. Therefore, the mandate of Taylor must be expanded to allow investment beyond the plant.

Growth Beyond the Younger Plant

Since Taylor Management Company Inc. is committed to manage Taylor as its only active business, the growth of Taylor is its first priority. Management will identify investment opportunities that are consistent with Taylor's need to provide stable, quarterly distributions to the unitholders. In consideration of these requirements, management will apply the following principles to business development:

- Taylor will acquire long-life assets with stable cash flow;
- Taylor will acquire assets that have technical and operational upside opportunities where management can create additional value with proven expertise;
- Taylor will pursue opportunities where the partnership can be the operator and have controlling interest in the assets; and
- Taylor will target opportunities that are low-risk.

Growth will be in manageable steps to ensure smooth integration into Taylor's current business activities. Specifically, the partnership's near-term business development focus will be to invest in facilities associated with natural gas and NGL processing in Western Canada.

Opportunities Inside the Younger Plant

Low margins in the NGL business will affect the short-term operating strategy for the Younger Plant. For 2001, management expects that natural gas prices will be high and volatile, and that oil prices will remain at current levels. On the surface, this situation implies challenging margins for Taylor's business. But, as management has shown this past year, there are opportunities to generate significant value through innovative and creative operating and marketing strategies. As operator of the plant, with its strategic location, unique product treating capability and transportation options, management can quickly and positively respond to these opportunities. Take propane, for example. Management achieves the most value for Taylor's propane barrel by accessing one or more of the following markets:

- local B.C. propane markets, served by trucks;
- western North America propane markets, served by rail;
- Edmonton and Sarnia propane markets, served by pipeline;
- B.C. and Alberta natural gas markets by reinjecting the propane into the Westcoast Energy gas transmission network; and
- Chicago natural gas markets by reinjecting the propane into the Alliance gas transmission system.

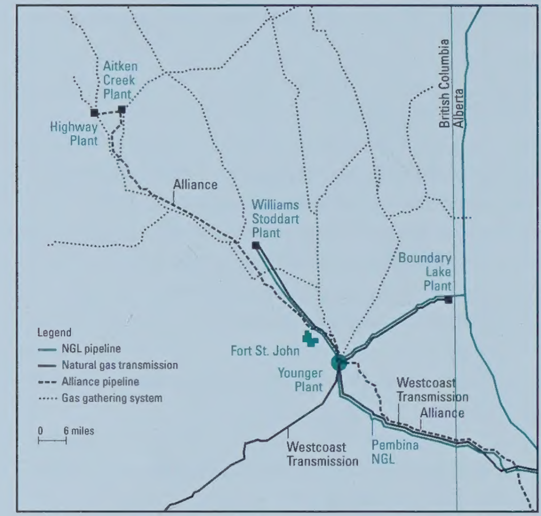
There are similar marketing options for the ethane, butane and condensate that Taylor produces.

Management's goal is to maintain the Younger Plant's status as the largest and lowest cost NGL extraction facility in British Columbia. Management is constantly identifying opportunities to reduce operating costs and increase production at the plant. As a large consumer of electrical power and fuel gas, this component of operating costs is being carefully managed while energy prices are high and volatile.

Taylor will challenge its competitors. Natural gas shippers at Taylor, British Columbia, have other options for their gas besides processing it through Taylor's portion of the Younger Plant. To maintain its contracted gas volume, Taylor differentiates itself from competitors by offering customers access to a one-of-a-kind suite of value-added services: NGL treating, fractionation and transportation options. Management believes that Taylor can provide gas shippers with superior economics and therefore will meet, and beat, the competition.

Taylor differentiates itself from its competitors by offering customers access to a one-of-a-kind suite of value-added services.

Younger NGL Extraction Plant overview



The Taylor NGL Limited Partnership owns a 57% to 100% interest in a variety of natural gas liquids production, treating and terminalling facilities at the Younger NGL Extraction Plant, located at Taylor in northeastern British Columbia. The Younger Plant is the sole straddle plant in the province. The plant has 750 mmscf/day of gas processing capacity, of which the partnership's share is 425 mmscf/day.

The Younger Plant is strategically located at a major energy hub and has interconnections with three natural gas transmission systems: the Westcoast Energy system that serves British Columbia and the Pacific Northwest, the Williams Energy Stoddart system and the Alliance system that services the Chicago area. The plant is also connected to two NGL product pipelines and has rail and truck loading capability. The location of the plant relative to these transportation options gives Taylor significant flexibility and therefore, opportunities to optimize both the supply of natural gas and the disposition of NGL products.

Operations

The Younger Plant employs a state-of-the-art cryogenic process to remove as much as 50 barrels of NGLs, specifically ethane, propane, butane and condensate, from each mmscf of natural gas sourced from the transmission pipelines. The plant's total NGL capacity is approximately 38,500 bbls/day, of which the partnership's share is about 21,800 bbls/day. Rated in terms of NGL capacity, Younger is the fourth largest NGL extraction plant in Canada. By focusing on the following key performance areas, the partnership is able to optimize straddle plant operations:

High natural gas throughput

- Taylor achieves high gas throughput by successfully contracting with natural gas shippers who own the available pool of gas.

Maximum liquid recovery

- Taylor continuously optimizes the operating parameters of the plant equipment to attain the highest NGL recovery per unit of gas processed.

Control of operating costs

- Taylor achieves operating cost control through prudent maintenance and attention to key cost drivers such as electrical power and fuel.

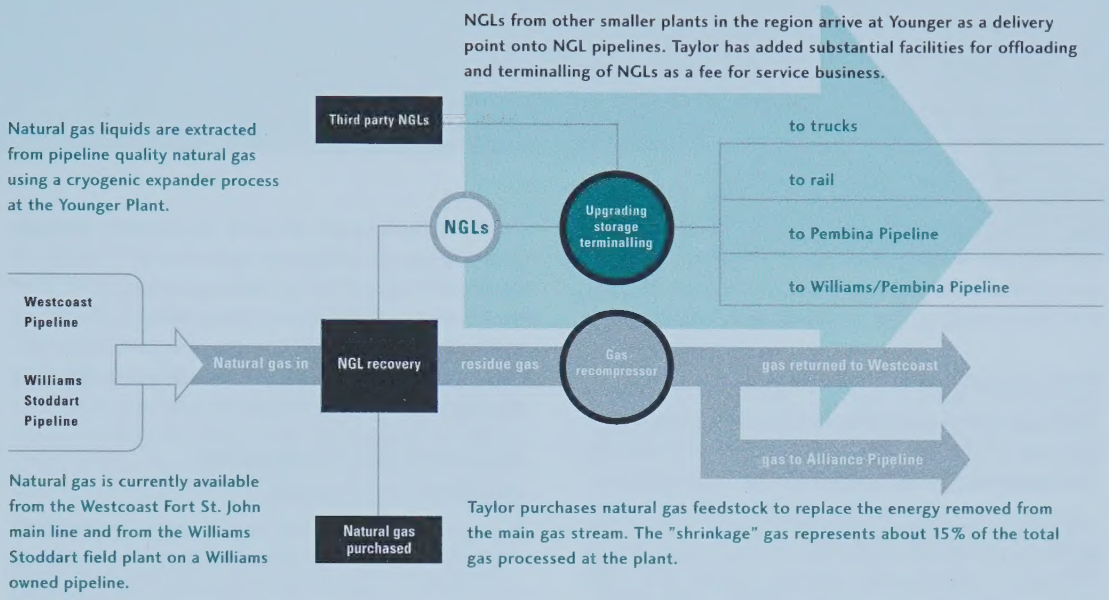
Gas Supply and Contracting

The Younger Plant serves the Fort St. John natural gas basin located in northeastern British Columbia. Gas production over the last few years in this area has been stable due to active drilling. The partnership faces competition for access to the natural gas feedstock, most directly from Williams Energy Canada (formerly Novagas Clearinghouse Ltd., and TransCanada Midstream) and their 325 mmscf/day capacity at Younger. Additionally, in late 2000, Alliance became a new option for shippers. This pipeline offers an opportunity to transport liquids-rich natural gas out of Western Canada.

NGL Margin

The energy removed from the natural gas stream and processed into NGLs (commonly called "shrinkage") must either be replaced by an equivalent amount of gas energy or purchased directly from the gas shipper. As such, shrinkage is truly the "feedstock" or raw material for the NGLs produced. The NGL margin then, is the difference between the cost of the feedstock and the market value of the ethane, propane, butane and condensate produced.

Natural Gas Liquids the process



Therefore, the profitability of the NGL business is dependent on both the cost of natural gas consumed and simultaneously, the price received for the NGLs produced. The price of both these commodities can be volatile, which makes long-term margins difficult to predict. However, in North America, the majority of the ethane, propane and butane is derived from natural gas, and the margin, over the long term, has supported the continuous growth of the NGL industry. The keys to success in the NGL business are:

- be a low-cost processor to maintain production when the margins are low; and
- be positioned with access to a variety of gas supplies and NGL markets.

How Taylor NGL Partnership Generates Distributions

Taylor derives income primarily through a long-term contract to sell NGLs to PanCanadian Petroleum Limited ("PanCanadian"). This arrangement is called the NGL Purchase Agreement (NGLPA).

The operating charge and the shrinkage charge are the two largest components of the price that Taylor charges PanCanadian under the NGLPA. These are flow-through charges that allow Taylor to fully recover the cost of operating and gas purchases. These charges do not affect distributions.

The return on capital charge (ROCC), operating pool, and marketing pool are the other components of the price in the NGLPA. These charges generate revenue for the partnership as follows:

ROCC

Return on capital charges are stable, rate base type revenue related to capital invested by the partnership in the Younger Plant facilities. This income is not affected by commodity prices.

Operating Pool

Operating pool revenue is directly related to the operating efficiency of the plant. In the NGLPA, PanCanadian purchases NGLs from the plant at a set cost of production, or a "hurdle" cost. When the cost of production, net of any fee income from services provided at the plant, for propane, butane and condensate (collectively known as C3+), is below the hurdle, then the NGL sale price includes an operating pool contribution, which is 50% of this difference.

Marketing Pool

The marketing pool constitutes Taylor's exposure to NGL margin. In this pool, the partnership receives a 50% profit share when the sale price of C3+ sold by PanCanadian exceeds the hurdle cost used in the calculation of the operating pool, plus the cost of shrinkage gas. A key feature of the marketing pool is that deficiencies are not charged to the partnership, but are carried forward and recovered against future marketing pool income. This structure helps to ensure a consistent base level of distributions for unitholders by segregating the commodity price-sensitive income from the ROCC and the operating pool. The effect is that unitholders benefit from exposure to commodity prices when margins are high, but still receive steady distributions from a minimum revenue stream when margins are low.

Taylor benefited from high NGL prices, particularly in August and September when the plant achieved record production rates.

2000 operations review

Plant Operations Produce New Records

Taylor generated an outstanding production record for the year 2000 as a result of favourable gas volumes and improved NGL recovery capability at the plant.

The partnership began 2000 with a newly rebuilt and upgraded plant in start-up mode. With initial gas flowing mid-January, the plant was fully operational and capable of processing all nominations by early February. For the rest of the year, management continued to optimize plant operations, with several minor outages relating to the installation and commissioning of new compression equipment. With this work complete, Taylor recorded a number of significant accomplishments:

- a record average NGL production month in August with a total of 17,591 bbls/day produced;
- a record average ethane production month in October of 8,992 bbls/day; and
- an average of 343 mmscf/day processed (81% capacity utilization) for the year, the highest level since 1997.

For 2000, Taylor's NGL production averaged 13,905 bbls/day. This production was comprised of 7,072 bbls/day of ethane and 6,833 bbls/day of propane, butane and condensate. The Younger Plant's gross NGL production also reached an all-time high in 2000, averaging 21,820 bbls/day.

These high volumes enabled Taylor to achieve a record low operating cost of $2.78 per barrel. This cost per barrel includes one-time expenses related to the plant start-up in January and February.

Steady NGL Margins Generate Increased Distributions

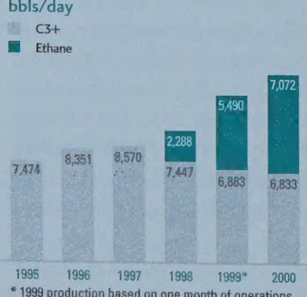
NGL price recovery, which began in the latter part of 1999, was another highlight of 2000. Taylor benefited, particularly in August and September, when margins peaked just as the plant was achieving record production rates.

In the first six months of 2000, Taylor retired the marketing pool deficit of $4.5 million. This set the stage for increased distributions in the quarters that followed. Although natural gas prices rose throughout the fall of 2000, NGL margins remained steady. However, in December, when gas prices spiked to record levels across North America, NGL product prices did not follow and the margin dropped dramatically. Management responded by optimizing operations to minimize costs and reselling some purchased natural gas at premium prices. These actions built on the strong results from October and November to provide a marketing pool contribution to the unitholders for the fourth quarter of 2000.

Innovation Reduces Operating Costs

During 2000, Taylor took an important step towards linking operating costs to NGL margins. In October a 10-year incentive electric power rate, indexed to NGL

Partnership NGL Production
bbls/day



* 1999 production based on one month of operations

Per Unit Operating Costs
$/bbl C2+

* 1999 data excluded since only 27 days of operation in the year

Monthly Spot Margins (2000)

$/bbl C3+

margins, commenced with the Government of British Columbia. The rate structure applies to approximately 40% of the power consumed at the Younger Plant. Taylor and the B.C. government developed the parameters for this incentive power rate in 1999, when Taylor undertook the $8 million capital project during the plant shutdown to increase ethane production. Electric power constitutes about half of the plant operating costs, so this incentive power rate will generate significant cost savings for Taylor during periods of low NGL margins.

Record Activity in the Supply Basin Supports Future Gas Volumes

During the year, gas volumes in the Fort St. John region of British Columbia rebounded slightly, moving upward to the yearly average of about 595 mmscf/day at the Taylor hub.

This gas production increase is consistent with the active pace of drilling in the area. In fact, B.C. statistics show 2000 as the all-time record year for drilling in the province. Strong natural gas prices should provide the cash flow for producers to sustain this current level of activity well into the future. These statistics support management's belief that even as the basin matures, active drilling by producers will offset production declines and support growth of gas volumes in the areas served by the Younger Plant. The gas currently available to the Younger Plant remains between 550 and 600 mmscf/day, well in excess of the partnership's capacity of 425 mmscf/day.

New Players Enter Competition for Gas

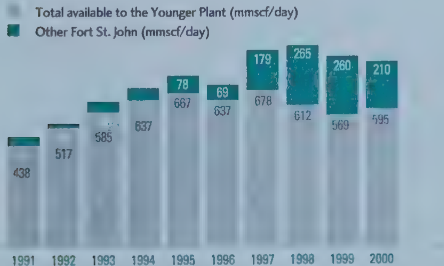
In the latter part of the year, TransCanada Midstream sold the majority of their Canadian NGL business, including their 43% interest in the Younger Plant, to Williams Energy Canada. Management expects that both the operating relationship and competitive position with the plant co-owner will continue much as it has in the past.

The start-up of the Alliance Pipeline has brought anticipated additional competition. Early estimates are that shippers have diverted about 60 mmscf/day of natural gas, or about 10% of the volume available to Taylor, onto the Alliance system. Ten to 15 mmscf/day of that gas volume was formerly contracted to Taylor, with the balance coming from shippers who were contracted to Williams and shippers who were not processing gas at the Younger Plant. While some ongoing loss of gas volume to Alliance is to be expected, management believes that, over the long term, through aggressive contracting and increased supply in the basin, we will sustain the high utilization of the facilities achieved in 2000.

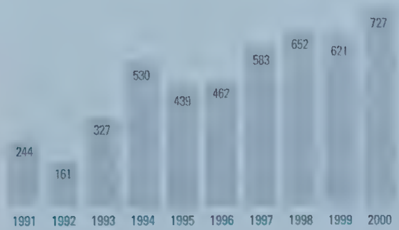
Health and Safety Training Pays Off

Taylor's commitment to health, safety and the environment was again demonstrated in 2000 by a perfect record of no lost-time accidents and no reportable spills. Management took advantage of the 1999 plant outage to provide operations staff with advanced technical and safety training. Taylor reaped the benefits of this investment in 2000 with the very safe and smooth operations of the Younger Plant. Management is committed to ensuring that each employee has the experience and expertise to implement the necessary response to safety, equipment or environmental emergencies. Management will continue to manage day-to-day safety by setting targets that focus on compliance, risk assessment and employee awareness training.

Basin Gas Volumes



Wells Drilled In British Columbia



The partnership distributed to unitholders $0.61 per unit, an increase of 27% over 1999.

management's discussion and analysis

The following discussion and analysis of financial results should be read in conjunction with the audited financial statements.

The Younger Plant was restored to operation in late January 2000, after a rebuild to repair the damage of the January 27, 1999 fire. Accordingly, the results for 2000 reflect 11 months of actual operations. During 1999, the Younger Plant was only operational for one month, and while the plant was shut down, the partnership's business interruption insurance provided proceeds to cover the profits that would have been generated had operations continued uninterrupted.

Revenues

$	2000	1999
Shrinkage cost recovery	**89,328,529**	3,202,188
Operating cost recovery	**8,249,212**	342,503
ROCC	**5,677,546**	173,512
Operating pool	**87,473**	303,069
Marketing pool	**4,000,183**	–
Natural gas liquids sales	**107,342,943**	4,021,272
Insurance recovery	**1,007,372**	9,619,248
Fee income	**5,437,798**	792,939
Other	**1,471,918**	1,196,427
Total revenue	**115,260,031**	15,629,886

The partnership generates most of its revenues from NGL sales to PanCanadian under the NGL Purchase Agreement (the NGLPA). This agreement is a "cost of production" agreement, which results in a flow through of the costs to produce the NGLs. The revenue received from PanCanadian includes shrinkage make-up costs, net plant operating costs, a calculated return on capital charge (ROCC) based on invested capital plus a profit share that is separated into an operating pool and a marketing pool. Other revenues include fee income from third parties for services.

NGL sales in 2000 increased to $107.3 million compared with $4.0 million in 1999 because the Younger Plant was shut down for most of 1999 and because of higher commodity prices. NGL sales include the recovery of shrinkage and operating costs, ROCC based on invested capital, as well as profit shares represented by the operating and marketing pools. In 2000, improvement in NGL margins allowed the marketing pool to contribute to NGL sales for the first time since 1998. The profits from this pool were sufficient to eliminate the $4.5 million deficit, which existed as of January 1, 2000, and to contribute a further $4.0 million to NGL sales for the year.

In 2000, total revenue was $115.3 million compared with $15.6 million for 1999. Insurance recoveries decreased to $1.0 million from $9.6 million in 1999, because the plant had normal operations for most of 2000 compared with only 27 days in 1999. For the same reason, fee income, including third party processing fees and terminalling fees, increased substantially to $5.4 million in 2000, from $0.8 million in 1999. Other revenue, including overhead recoveries and interest income, increased to $1.5 million in 2000 from $1.2 million in 1999. In 1999, overhead recoveries were lower than normal because of the incident.

Expenses

$	2000	1999
Shrinkage gas	**89,328,529**	3,202,188
Plant operating expenses	**14,156,221**	4,178,638
Administration	**1,112,426**	577,025
Depreciation	**2,643,606**	2,474,328
Interest	**658,516**	241,685
	107,899,298	10,673,864
Management fees and distributions to limited partners:		
Management fees	**264,759**	209,098
Overhead recoveries payable to Solex	**1,507,335**	1,063,541
Distributions to limited partners	**1,464,903**	2,160,950
	3,236,997	3,433,589
Income and capital taxes	**–**	1,716,074
Total expenses	**111,136,295**	15,823,527

Shrinkage Gas

Costs for shrinkage make-up gas, necessary to replace the energy extracted from shippers' natural gas, increased to $89.3 million in 2000 from $3.2 million in 1999. The increase was due to higher volumes in 2000 and a shrinkage gas cost increase to an average of $5.12 per GJ in 2000 compared with $2.83 per GJ during the abbreviated operating period in 1999.

Plant Operating Expenses

Plant operating costs increased from $4.2 million in 1999 to $14.2 million in 2000 because the shutdown for most of 1999 resulted in a significant reduction in variable operating costs such as electric power and fuel gas. In 2000, higher fuel costs due to high natural gas prices contributed to the increase.

Administration

Administration expenses increased to $1.1 million in 2000 from $0.6 million in 1999 partially because of one-time costs associated with the conversion of the fund to a limited partnership structure.

Depreciation

Plant depreciation is based on the straight-line method over 40 years. Depreciation was $2.6 million for 2000 compared with $2.5 million in 1999.

Interest Expense

Interest expense increased to $0.7 million in 2000 from $0.2 million in 1999. Bank principal and interest expenses commenced in April 1999, resulting in nine months of interest in 1999 compared with 12 months in 2000. In addition, the partnership increased its net borrowings by $2.4 million in 2000 to finance capital improvement projects.

Management Fees and Distributions to Limited Partners

The partnership paid Solex management fees of $0.3 million in 2000 compared with $0.2 million in 1999. Management fees are based on 2.75% of the Younger Plant's revenues net of shrinkage gas, operating costs and administration expenses. Solex also receives capital and operating overhead recoveries, which were $1.5 million in 2000 compared with $1.1 million in 1999. Operating overhead recoveries were higher in 2000 because of the plant outage in 1999. Distributions to limited partners include payments to holders of Taylor Gas Liquids Limited Partnership expansion units. They are entitled to 26.75% of the net revenues from production in excess of 8,000 bbls/day of C3+, calculated annually, and a return on capital contributed to meet their obligation to fund 26.75% of capital expenditures incurred by the Taylor Gas Liquids Limited Partnership. The distributions paid on incremental production in 2000 were nil compared to $0.1 million in 1999. The holders of the partnership expansion units received return on capital in the amount of $1.5 million in 2000 compared with $2.2 million in 1999. The decrease is due to the conversion by KeySpan of its Class C Expansion Units into units of the partnership on March 31, 2000.

Income and Capital Taxes

Income and capital taxes were nil in 2000 compared with $1.7 million in 1999. The partnership no longer needs to provide for income and capital taxes because the conversion of the fund to a limited partnership results in tax being assessed at the partner level.

Capital taxes	–	242,917
Deferred income taxes	–	1,473,157
Income and capital taxes	–	1,716,074

The partnership's taxable income is allocated to year-end unitholders. In 2000 the partnership was fully sheltered from income tax and therefore did not allocate any taxable income to year-end unitholders. Allocations of taxable income to unitholders are added to the income of the unitholders for tax purposes and increase their unit cost while distributions received reduce their unit cost.

Net Income

Revenue:		
NGL sales	**107,342,943**	4,021,272
Insurance recovery	**1,007,372**	9,619,248
Fee and other income	**6,909,716**	1,989,366
	115,260,031	15,629,886
Expenses:		
Shrinkage gas	**89,328,529**	3,202,188
Plant operating expenses	**14,156,221**	4,178,638
Depreciation	**2,643,606**	2,474,328
Administration, interest	**1,770,942**	818,710
Management fees and distributions to limited partners	**3,236,997**	3,433,589
Income and capital taxes	–	1,716,074
	111,136,295	15,823,527
Net income (loss)	**4,123,736**	(193,641)

The net income for the year was $4.1 million, up considerably from 1999's net loss of $0.2 million. The increase in net income is largely due to a positive contribution from the marketing pool and lower capital taxes, which more than offset increases in administration and interest expenses.

Distributable Cash Flow

Net income (loss)	**4,123,736**	(193,641)
Depreciation	**2,643,606**	2,474,328
Deferred income taxes	–	1,473,157
Working capital	**(838,340)**	7,695
Total	**5,929,002**	3,761,539
Distributable cash flow per partnership unit	**0.61**	0.48

Cash available for distribution to unitholders totalled $5.9 million, up from $3.8 million in 1999. Distributable cash flow was $0.61 per unit in 2000 compared with $0.48 per unit in 1999. In 1999 the distributable cash flow was largely funded by the partnership's business interruption insurance.

The distributable cash flow that the partnership pays to unitholders is net of amounts required for the business, liabilities and operations of the partnership. In 2000, the amount withheld was $0.08 per unit compared to nil per unit in 1999.

Distributions by Quarter

1996	–	–	0.24	0.74	0.98
1997	0.45	0.21	0.26	0.38	1.30
1998	0.22	0.10	0.08	0.11	0.51
1999	0.11	0.13	0.12	0.12	0.48
2000	0.10	0.10	0.24	0.17	0.61

Since inception, the partnership has paid a total of $3.88 per unit in cash distributions to the unitholders including the distribution for the fourth quarter of 2000.

Equity

At December 31, 2000, the partnership had 9,719,675 limited partnership units outstanding compared with 7,836,540 units at December 31, 1999. This increase is a result of KeySpan's conversion of its Class C Expansion Units into 1,883,135 limited partnership units.

At December 31, 2000, individuals held options to purchase 350,500 (1999 – 370,500) partnership units at prices ranging from $3.75 per unit to $13.65 per unit.

Minority Interest

The partnership's minority interest decreased to $8.4 million in 2000 from $14.9 in 1999. This decrease is a result of KeySpan's unit conversion.

Capital Expenditures

Capital expenditures, other than the rebuild, were $2.1 million in 2000 compared with $9.6 million in 1999. The partnership financed the 2000 and 1999 capital expenditures, other than for the rebuild, using bank loans.

Liquidity and Capital

The partnership has a revolving credit facility of $5 million with a chartered bank. In addition, the partnership and the limited partners of Taylor Gas Liquids Limited Partnership have a credit facility available for capital projects in the amount of the U.S. dollar equivalent of $18.2 million. The partnership's share of this credit facility is the U.S. dollar equivalent of $12.4 million, of which $8.7 million has been drawn down at December 31, 2000. The loan is repayable in quarterly installments over a seven-year period commencing April 1, 1999, including a balance repayment of 25% at the end of the term.

Insurance

The results for 1999 and approximately one month of 2000 were impacted by the interruption to business caused by the January 27, 1999 fire. The partnership carries property and equipment insurance and drew funds from its insurers to meet plant repair costs. In addition, the partnership's business interruption insurance replaced the profits which would have been generated by the plant if normal operations had continued uninterrupted. As at December 31, 2000, accounts receivable included $7.9 million in respect of submitted insurance claims. Management believes that any difference between this amount and the amount ultimately collected will not have a material impact on the financial position of the partnership.

Business Risks

The partnership's NGL extraction and marketing operations are exposed to a number of business risks that can significantly affect its financial results. These include internal risks such as operational and production risks, and external factors such as fluctuations in commodity prices, exchange and interest rates, government regulations and taxes, transportation and marketing constraints and environmental and safety concerns. The partnership has actively structured business arrangements to mitigate the effect of certain risks on the partnership's income and distributions.

Operational and Production Risk

The partnership has worked to diversify income from operations by developing ROCC and fee for service income. ROCC is related to capital spent, whereas fee income and operating pool income are sensitive to volumes processed at the plant and operating expenses incurred. In addition, the partnership carries insurance to cover physical losses, liabilities and business interruption.

Commodity Price Risk

Petroleum and natural gas commodity prices are volatile and subject to external risks related to supply and demand, regional and continental weather conditions, the world economic situation, and a number of other factors. The partnership's exposure to commodity prices relates to the margin between the cost of the plant's raw material, natural gas for shrinkage makeup, and the value of the products produced which are natural gas liquids. The partnership has mitigated this risk through the structure of the NGLPA. Under the agreement, the partnership sells the NGL on a cost of production basis with a formula derived minimum price, plus a share of the ultimate profits that PanCanadian receives from its final sale of the product. When the minimum price formula exceeds the actual price, the deficiency is held in a deferral account and carried forward to be applied against future profits.

Health, Safety and the Environment

During the rebuild of the plant, management undertook a complete review of the design and safety systems at the plant. As a result, a number of projects to enhance these systems have been completed. In 2001, the partnership's health, safety and environment program will focus its efforts on operations. This will result in continued training in safety and environment awareness, first aid, firefighting, emergency response, rescue and incident command.

management's and auditors' report

Management's Responsibility Statement

Taylor Gas Liquids Ltd., as general partner of Taylor NGL Limited Partnership, is responsible for the preparation of the financial statements and for the consistency therewith of all other financial and operating data presented in this annual report. The financial statements have been prepared in accordance with the accounting policies summarized in the accounting policies note. The financial statements are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances and have been prepared within acceptable limits of materiality.

The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the financial statements.

Management maintains a system of internal accounting controls in order to provide reasonable assurance as to the reliability of the financial records and the safeguarding of assets.

External auditors have examined the financial statements and have expressed their opinion on the statements. Their report is included with the financial statements.

ROBERT J. PRITCHARD
President and Chief Executive Officer

BARRY O'BRIEN
Secretary and Chief Financial Officer

Auditors' Report to the Unitholders

We have audited the consolidated balance sheets of Taylor NGL Limited Partnership (formerly Taylor Gas Liquids Fund) as at December 31, 2000 and 1999 and the consolidated statements of income and unitholders' equity and consolidated statements of cash flows and distributable cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

CHARTERED ACCOUNTANTS

Calgary, Canada
January 12, 2001

Consolidated Balance Sheets

AS AT DECEMBER 31

	2000	1999
Assets		
Current assets:		
Cash and term deposits	$ 2,280,784	$ 2,011,965
Accounts receivable (note 3)	15,746,042	13,160,849
Due from limited partners (note 10)	566,234	3,432,989
Prepaid insurance	106,826	65,868
	18,699,886	18,671,671
Capital assets (note 4)	93,372,112	93,919,105
	$ 112,071,998	$ 112,590,776
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 10,905,904	$ 12,952,955
Payable to Manager (note 10)	443,250	602,912
Deferred revenue (note 3)	3,788,485	2,352,211
Unitholders' distribution payable	1,652,345	940,385
Current portion long-term debt (note 5)	1,156,756	734,536
	17,946,740	17,582,999
Long-term debt (note 5)	7,551,054	5,568,834
Construction costs payable (note 5)	1,578,687	3,448,156
Future income taxes (note 8)	–	7,766,157
Minority interest in Partnership (note 1)	8,440,141	14,868,777
Deferred foreign exchange	97,241	194,431
	35,613,863	49,429,354
Unitholders' equity (note 6)	76,458,135	63,161,422
Organization (note 1)		
Plant operations and contingencies (note 3)		
Commitment (note 11)		
	$ 112,071,998	$ 112,590,776

See accompanying notes to consolidated financial statements.

Approved by the Board:

ROBERT B. CATELL
Director

ROBERT J. PRITCHARD
Director

Consolidated Statements of Income and Unitholders' Equity

YEARS ENDED DECEMBER 31

Revenue:		
Natural gas liquids sales	$ 107,342,943	$ 4,021,272
Insurance recovery	1,007,372	9,619,248
Fee income	5,437,798	792,939
Other	1,471,918	1,196,427
	115,260,031	15,629,886
Expenses:		
Shrinkage gas	89,328,529	3,202,188
Operating	14,156,221	4,178,638
Administration	1,112,426	577,025
Depreciation	2,643,606	2,474,328
Interest	658,516	241,685
	107,899,298	10,673,864
Income before the following	7,360,733	4,956,022
Management fees and distributions to limited partners (note 10)	3,236,997	3,433,589
Income before taxes	4,123,736	1,522,433
Income and capital taxes (note 8)	–	1,716,074
Net income (loss)	4,123,736	(193,641)
Unitholders' equity, beginning of year	63,161,422	67,116,602
Issue of units on exchange of minority interest (note 6(b))	7,335,822	–
Elimination of provision for future income taxes on restructuring (note 8)	7,766,157	–
Unitholders' distributions	(5,929,002)	(3,761,539)
Unitholders' equity, end of year	$ 76,458,135	$ 63,161,422
Net income (loss) per partnership unit:		
Basic	$ 0.45	$ (0.02)
Fully diluted	$ 0.44	$ (0.02)

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows and Distributable Cash Flows

YEARS ENDED DECEMBER 31

Cash provided (used in):		
Operations:		
Net income (loss)	$ 4,123,736	$ (193,641)
Depreciation	2,643,606	2,474,328
Future income taxes	–	1,473,157
	6,767,342	3,753,844
Net change in non-cash working capital	84,934	1,925,128
	6,852,276	5,678,972
Financing:		
Unitholders' distributions	(5,929,002)	(3,761,539)
Limited partner contributions	907,187	3,010,680
Construction costs payable	(1,869,469)	(973,401)
Long-term debt	2,404,440	6,497,801
	(4,486,844)	4,773,541
Investments:		
Capital expenditures, including rebuild	(4,901,999)	(28,812,522)
Property insurance recovery	2,805,386	19,195,496
	(2,096,613)	(9,617,026)
Increase in cash and term deposits	268,819	835,487
Cash and term deposits, beginning of year	2,011,965	1,176,478
Cash and term deposits, end of year	$ 2,280,784	$ 2,011,965
Distributable cash flows:		
Net income (loss)	$ 4,123,736	$ (193,641)
Depreciation	2,643,606	2,474,328
Future income taxes	–	1,473,157
Working capital reserve	(838,340)	7,695
	$ 5,929,002	$ 3,761,539
Distributable cash flow per partnership unit	$ 0.61	$ 0.48

See accompanying notes to consolidated financial statements.

notes to consolidated financial statements

1. Organization

The Taylor NGL Limited Partnership (the "Partnership") was formerly an unincorporated trust, Taylor Gas Liquids Fund (the "Fund"), formed under the laws of the Province of Alberta pursuant to a trust indenture dated May 15, 1996. The Fund commenced operations on July 30, 1996, when its wholly owned subsidiary, Taylor Gas Liquids Ltd. ("Taylor Ltd.") provided to Taylor Gas Liquids Limited Partnership (the "TGLL Partnership") the capital necessary to purchase an interest in the Younger NGL Extraction Plant (the "Younger Plant") located at Taylor, British Columbia.

On August 16, 2000, the Fund was converted to a limited partnership structure whereby Taylor Ltd., the sole holder of Base Partnership Units and Class C Expansion Units of the TGLL Partnership, transferred all of the issued and outstanding Base Partnership Units and Class C Expansion Units of the TGLL Partnership to the Partnership in exchange for limited partnership units of the Partnership, which were given to the Fund to repay debt Taylor Ltd. owed to the Fund. Lastly, the Fund exchanged with each unitholder one limited partnership unit of the Partnership in exchange for each unit of the Fund held by such unitholder. The general partner of the Partnership is Taylor Ltd., while the public holds the Partnership units (the "Units").

The general partner of the TGLL Partnership is Solex Gas Liquids Ltd. ("Solex"). The limited partners of the TGLL Partnership include the Partnership and parties related to Solex. The general partner is entitled to a management fee equal to 2.75% of the revenue less shrinkage gas costs, operating costs, administration costs and other management fees, 0.01% of partnership distributions and a fee of 1.5% of future capital expenditures. The limited partners of the TGLL Partnership receive 99.99% of partnership distributions. The limited partners of the TGLL Partnership are entitled to the portion of the distributions attributable to 26.75% of production in excess of the estimated plant capacity as at the time of the acquisition of the Younger Plant. In addition, the limited partners other than the Partnership have the option to contribute additional capital equal to 26.75% of the future capital expenditures of the TGLL Partnership in return for distributions equal to the associated recovery of capital earned by the TGLL Partnership. In addition, Solex is entitled to the overhead charges recovered by the TGLL Partnership under the marketing and related agreements. In accordance with the terms of the partnership agreement and related agreements, cash not required for the business of the TGLL Partnership will be distributed to the unitholders on a quarterly basis.

2. Significant Accounting Policies

a) Consolidation:

These consolidated financial statements include the accounts of the TGLL Partnership.

b) Revenue:

All natural gas liquids produced are sold at the outlet of the plant under a marketing agreement. Pursuant to the terms of the marketing agreement, the revenue is based on the recovery of capital and operating costs and a 50% share of excess proceeds received on the sale of the natural gas liquids. If the proceeds on the sale of natural gas liquids do not exceed the recovery of capital and operating costs, then future profits will only accrue after the retirement of this deficiency. For 2000, the Partnership's share of proceeds on the sale of natural gas liquids exceeded the recovery of capital and operating costs.

c) Capital assets:

The Younger Plant and additions are recorded at cost. Repairs and maintenance costs are charged to expense in the period incurred.

The Younger Plant is depreciated over a period of 40 years using the straight-line method of depreciation.

In accordance with various agreements the TGLL Partnership is party to indemnities with respect to future site restoration and reclamation costs. These amounts, together with salvage values, are anticipated by management to be in excess of future site restoration and reclamation costs.

d) Income taxes:

Pursuant to the August 16, 2000 restructure of the Fund to a limited partnership structure, the income of the TGLL Partnership and the public Partnership is taxed at the partner level. As a result, provision for income and capital taxes is the responsibility of the limited partners.

e) Per unit amounts:

The net income (loss) per Partnership Unit is calculated based on the weighted average number of Units outstanding during the year of 9,248,891 (1999 – 7,836,540). The distributable cash flow per Partnership Unit is calculated using the total number of Units outstanding at the end of the year.

f) Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts. These estimates are subject to measurement uncertainty and may impact financial statements of future periods.

g) Partnership unit-based compensation plan:

The Partnership has a unit-based compensation plan which is described in note 7. No compensation expense is recognized for this plan when Partnership Units are issued to employees. Any consideration paid by employees on exercise of Partnership Unit options is credited to unitholders' equity. If Partnership Units are repurchased from employees, the excess of the consideration paid over the carrying amount of the Partnership Unit option cancelled is charged to unitholders' equity.

h) Foreign currency:

The Partnership translates its monetary foreign currency balances using year-end rates. Transactions during the year are recorded at the exchange rate in effect on that date. Gains or losses on translation are recognized into earnings in the current year for current portions of monetary balances, and deferred and amortized into earnings over the life of non-current monetary balances.

3. Plant Operations and Contingencies

On January 27, 1999, a fire and subsequent explosions caused the Younger Plant to be shut down. During the remainder of 1999, the Partnership reconstructed the damaged components of the Plant. Initial start-up activities commenced in December 1999 and the Plant became operational in January 2000. The Partnership submitted claims and drew funds from its insurers to meet the Plant reconstruction costs and replace profits which would have been generated by the Plant if normal operations had continued uninterrupted. The normal assessment and review process by the insurers is near completion and as at December 31, 2000, accounts receivable included $7,895,144 in respect of submitted claims. Management believes that any difference between the amounts claimed and the amounts ultimately received will not have a material impact on the financial position of the Partnership.

In 1999, the Partnership had accumulated a deficiency under the marketing agreement that was deducted from profits earned in 2000, as disclosed in note 2. During 1999, $2,352,211 of the amounts claimed under the business interruption coverage related to amounts that would have been deducted from the 1999 deficiency had they actually been generated from normal operations. As the ultimate treatment of these amounts under the marketing agreement is uncertain, they have been included as deferred revenue in these financial statements.

The Partnership has been named in lawsuits, with certain other parties, in formal claims for losses incurred as a result of the Younger Plant fire and shutdown. Management believes that the claimants will not be successful and, in addition, that the Partnership's liability insurance is sufficient to cover their portion of these claims.

4. Capital Assets

	2000	1999
Younger Plant	**$103,549,359**	$ 101,452,746
Accumulated depreciation	**(10,177,247)**	(7,533,641)
	$ 93,372,112	$ 93,919,105

5. Long-Term Debt

The Partnership maintains a credit facility with a Canadian chartered bank. The facility has two parts – a revolving operating line of credit for $5 million and a term facility with the U.S. dollar equivalent of $12,359,247 available for capital purposes. At December 31, 2000, the U.S. dollar amount of the term facility is $5,800,000.

The term facility is repayable quarterly over a seven-year period including a balance repayment of 25 percent at the end of the seven year period. Amounts outstanding under the facility bear interest at U.S. LIBOR rate plus 0.9 percent. The principal repayments required in each of the next five years are approximately $1,200,000.

Construction costs payable at December 31, 2000, will be financed through additional draws on the term facility and additional contributions by the limited partners other than the TGLL Partnership.

6. Unitholders' Equity

a) Authorized: Unlimited Partnership Units
b) Issued:

	NUMBER OF UNITS	AMOUNT
Balance, December 31, 1998	7,836,540	$67,116,602
Net income (loss) for year	–	(193,641)
Unitholders' distributions	–	(3,761,539)
Balance, December 31, 1999	7,836,540	63,161,422
Net income (loss) for year	–	4,123,736
Unitholders' distributions	–	(5,929,002)
Exchange of TGLL Partnership Units (c)	1,883,135	7,335,822
Eliminations of future income taxes on restructuring (note 8)	–	7,766,157
Balance, December 31, 2000	9,719,675	$76,458,135

c) The limited partners of TGLL Partnership are entitled to exchange their TGLL Partnership Units for that number of Partnership Units which had the same aggregate cash entitlement over the preceding four quarters as the aggregate cash distributions received on the Partnership Units. Pursuant to this provision, on March 31, 2000, the Partnership issued 1,883,135 Partnership Units out of treasury.

7. Partnership Unit Option Plan

A Partnership Unit option plan provides for the issuance of options to acquire Partnership Units to directors and employees of Taylor Ltd. The number of units reserved is limited to 783,650 Partnership Units. The options expire at various dates to December 31, 2004 and vest at the Board's discretion. The following table summarizes information about Partnership Unit options at December 31, 2000 and 1999:

	2000		1999	
	OPTIONS	AVERAGE EXERCISE PRICE	OPTIONS	AVERAGE EXERCISE PRICE
Outstanding, beginning of year	**370,500**	**$ 9.57**	320,500	$ 10.48
Granted	–	–	50,000	3.75
Exercised	–	–	–	–
Expired	**(20,000)**	**10.40**	–	–
Outstanding, end of year	**350,500**	**$ 9.52**	370,500	$ 9.57

RANGE OF EXERCISE PRICE	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE
$ 3.75 – $ 6.85	100,000	3.3	$ 5.30
8.65 – 13.65	250,500	1.2	11.21
$ 3.75 – $ 13.65	350,500	1.7	$ 9.52

8. Income and Capital Taxes

Pursuant to the August 16, 2000 restructure of the Fund to a limited partnership structure, the income of the Partnership is taxed at the partner level. As a result, a provision for income and capital taxes is not required for the Partnership.

Prior to the restructure, the subsidiary of the Fund, Taylor Ltd., recorded a future income tax liability to reflect the differences between the accounting and tax values of assets and liabilities. After the restructure, Taylor Ltd. is not a subsidiary of the Partnership, and as a result no future income tax is recorded.

9. Pension Plan

The general partner of the Partnership, Taylor Ltd. has a defined benefit pension plan which covers all employees. The plan provides pensions based on length of service and the highest consecutive three years' average earnings.

At December 31, 2000, the market value of the assets of the plan is $745,500 (1999 – $666,744).

The estimated actuarial present value of the associated liabilities at December 31, 2000 is $923,200 (1999 – $830,000). The Partnership is making special contributions to liquidate the unfunded liability.

10. Management Fees and Distributions to Limited Partners and Manager

For the year ended December 31, 2000, the management fee and overhead recoveries payable to Solex were $264,759 (1999 – $209,098) and $1,507,335 (1999 – $1,063,541) respectively.

Distributions to the limited partners other than Taylor Ltd. for the year ended December 31, 2000, were $1,464,903 (1999 – $2,160,950).

The balance due from limited partners relates to their contributions for capital expenditures of the TGLL Partnership.

11. Commitment

As at December 31, 2000, future minimum lease payments for office space are $240,230 for each of the years 2001 through 2003.

12. Financial Instruments

The carrying amount of the Partnership's cash and term deposits, accounts receivable, accounts payable and accrued liabilities, long-term debt, due from limited partners, payable to general partner and construction costs payable approximate fair value due to the near-term nature of these financial instruments.

13. Interest and Income Taxes Paid

The following amounts were cash paid for interest and taxes in the years ended:

	2000	1999
Interest	$ **658,516**	$ 241,685
Income taxes	–	242,917

corporate information

Annual General Meeting

The Annual Meeting of the Taylor NGL Limited Partnership will be held on April 6, 2001, at 8:30 a.m. at the Metropolitan Centre, 333 – 4th Avenue S.W., Calgary, Alberta.

All unitholders are invited to attend. Those who are unable to attend are kindly requested to sign and return their proxies as soon as possible.

Shareholder Information

Stock Exchange Listing:
Toronto Stock Exchange (Symbol TAY.UN)

Units Outstanding at December 31, 2000:
9,719,675

Transfer Agent and Trustee:
Montreal Trust Company of Canada

Legal Counsel:
Macleod Dixon, Calgary, Alberta

Auditors:
KPMG LLP, Calgary, Alberta

Banker:
Royal Bank

Investor Relations:
(403) 781-8181

Corporate Governance

The general partner of Taylor NGL Limited Partnership is Taylor Gas Liquids Ltd., which is governed by a board of directors. The Board of Directors has ultimate responsibility for the management of the partnership, including the development of a strategic plan, identifying and controlling the principal risks of the partnership, developing communications policies and internal control and management systems. The Board has six directors. Four are nominated by the unitholders. Taylor Management Company Inc. and KeySpan Energy Canada Ltd. nominate the remaining two directors.

The Board does not have a compensation committee, nominating committee, or corporate governance committee due to the limited nature of the partnership's activities. The entire Board addresses these matters.

The general partner of the partnership has entered into an Administration Agreement with Taylor Management Company Inc. to provide management and administration services to the partnership. The manager is reimbursed for actual costs incurred in performing these duties plus a management fee of 2.75% of net operating cash flow.

Glossary

bbl	barrel
bbls/day	barrels per day
C2	ethane
C3	propane
C4	butane
C2+	mixture of ethane, propane, butane and condensate
C3+	mixture of propane, butane and condensate
C5+	condensate
GJ	gigajoule
mmscf	million standard cubic feet
mmscf/day	million standard cubic feet per day
NGLPA	Natural Gas Liquids Purchase Agreement with PanCanadian
NGLs	natural gas liquids
Partnership	Taylor NGL Limited Partnership
Solex	Solex Gas Liquids Ltd.
Taylor	Taylor NGL Limited Partnership
Younger Plant	Younger NGL Extraction Plant located in Taylor, British Columbia

officers and directors

(In alphabetical order)

Robert R. Andrews, 65, a director since 1996, is president of Andrews Consulting and Andrews Investments. Mr. Andrews, formerly an executive vice president of CanStates Energy, has served as the executive director of the Independent Petroleum Association of Canada and is a past president of the Propane Gas Association of Canada. He resides in Calgary, Alberta.

Ian D. Bruce, 48, a director since 1996, is co-chairman at Peters and Company, an investment firm that specializes in underwriting and advisory services for the oil and gas industry. Mr. Bruce is a former vice president and director of RBC Dominion Securities and served as managing director and head of Western Canada for Scotia Capital Markets. He is director and treasurer of the Alberta Children's Hospital Foundation. Mr. Bruce resides in Calgary, Alberta.

Robert B. Catell, 63, a director since 1996, is chairman of Taylor Gas Liquids Ltd. He is also chairman and chief executive officer of KeySpan Corporation, an energy-related investment business. Mr. Catell serves on the boards of several New York business, community and cultural associations, and acts as chairman and director of two consortia of gas distribution companies formed to purchase Canadian gas. He is currently chairman of the Houston Exploration Company. Mr. Catell resides in Garden City, New York.

H. Neil Nichols, 63, a director since 1996, is senior vice president of KeySpan Corporation and president of KeySpan Energy Development Corporation. Mr. Nichols formerly served as chief financial officer and executive vice president of TransCanada PipeLines Ltd. He is involved in a number of charitable organizations and currently resides in Toronto, Ontario.

Barry O'Brien, 46, is secretary and chief financial officer of Taylor Gas Liquids Ltd. and Taylor Management Company Inc., the manager and administrator of the partnership. Mr. O'Brien was previously chief financial officer of Wolcott Gas Processing Ltd. Mr. O'Brien resides in Calgary, Alberta.

Robert J. Pritchard, 43, a director since December 2000, is president and chief executive officer of Taylor Gas Liquids Ltd. and Taylor Management Company Inc., the manager and administrator of the partnership. Mr. Pritchard was formerly a vice president of Solex Energy Inc. and has also held senior positions with Amoco Canada Petroleum Company Ltd. Mr. Pritchard resides in Calgary, Alberta.

David J. Schmunk, 40, is chief operating officer of Taylor Gas Liquids Ltd. and Taylor Management Company Inc., the manager and administrator of the partnership. Mr. Schmunk was formerly vice president, operations of TransCanada Midstream and has also held senior positions with Alberta Natural Gas. Mr. Schmunk resides in Cochrane, Alberta.

Kenneth D. Taylor, 67, a director since 1996, is chairman of Global Public Affairs Inc. in Ottawa and New York. Mr. Taylor was formerly a senior vice president at RJR Nabisco and has had a 25-year diplomatic career with the Canadian government. He is currently serving as chancellor of the University of Victoria, chairman of the New York Region for the United States Olympic Committee and as director on the boards of several Canadian and U.S. companies. Mr. Taylor resides in New York, New York.

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